

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3776-01
Bill No.: HB 1501
Subject: Banks and Financial Institutions; Business and Commerce; Consumer Protection
Type: Original
Date: February 12, 2002

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|-------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| Local Government | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Finance** and **Division of Credit Unions** state that the proposed legislation imposes no additional duties on either division, therefore there is no fiscal impact.

Officials from the **Office of Prosecution Services** indicated that any costs to prosecutors could be absorbed.

In response to similar legislation from this year (SB 940), officials from the **Office of Attorney General** and the **Office of State Courts Administrator** indicated this proposal would have no fiscal impact on their agencies.

| <u>FISCAL IMPACT - State Government</u> | FY 2003 (10 Mo.) | FY 2004 | FY 2005 |
|---|---------------------|------------|------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2003 (10 Mo.) | FY 2004 | FY 2005 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

This proposed legislation could have an impact on businesses dealing in payday loans due to restrictions on fee amounts charged on certain unsecured consumer loan transactions in which cash is advanced.

DESCRIPTION

This proposed legislation applies to unsecured consumer loans of \$500 or less in which cash is advanced with an original term of 30 days or less and a single payment is anticipated.

The proposal:

- (1) Prohibits charges of more than \$15 per \$100 of principal for the first 30 days and more than 3% per month of the outstanding balance after the 30th day of the original loan;

DESCRIPTION (continued)

- (2) Prohibits any other charges, including charges for cashing the loan proceeds if given in check form;
- (3) Prohibits a lender from having more than two loans of this type outstanding to any borrower at any one time;
- (4) Prohibits loans of this type from being repaid from proceeds of another loan of this type;
- (5) Allows returned check charges;
- (6) Prohibits enforcement of the provisions of any contract for payment of money subject to the bill when the contract is for payment of money in excess of that allowed by the proposal;
- (7) Applies to any creditor involved in any way in a contract for payment of money as described in the proposal or any person or entity that is involved in procuring a loan subject to the proposal or that accepts a check or other negotiable instrument drawn on a bank and payable on demand at maturity of the deferred deposit loan, such as payday loans; and
- (8) Does not supercede any law that specifies a lower rate or amount of charges.

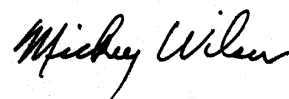
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Division of Finance
Division of Credit Unions
Office of Prosecution Services

Not responding

Office of Attorney General
Office of State Courts Administrator



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